



International banks

Introduction

Internationally headquartered banks can operate in the United Kingdom either as subsidiaries or as branches.

There are many factors to consider before determining whether to operate in the United Kingdom through a subsidiary or a branch (or both). The regulatory regime, taxation arrangements and the intended business model should all be key considerations.

Subsidiaries

As a separate legal entity a subsidiary will be authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

The PRA has the same legal powers and follows broadly the same supervisory framework as for UK-headquartered firms. The PRA's approach to supervising a subsidiary will depend on the nature and size of the business that the bank undertakes, but the bank will be required to meet the PRA's [Threshold Conditions](#) at all times.

In particular, a subsidiary must have its own financial resources (ie it must be capitalised and hold liquidity levels as determined by the PRA) and its own non-financial resources (such as appropriate governance arrangements including a board, a suitable risk management framework and systems which are fit for purpose).

The FCA is the conduct regulator for all banks operating in the United Kingdom. For subsidiaries, the FCA's Threshold Conditions and conduct of business rules apply, including in areas such as anti-money laundering.

A subsidiary's eligible deposits are protected by the [Financial Services Compensation Scheme](#) (UK deposit guarantee scheme) therefore it will be subject to regulations concerning UK depositor protection.

Branches

Banks with wholesale market operations may prefer to operate cross-border through a branch structure as funding costs to such a group are likely to be lower given the flexibility to move funds across the bank.

A branch is a place of business which forms a legally dependent part of a bank; it is not a separate legal entity from its parent. As such a branch will not be separately capitalised and will not have its own board.

If you are considering establishing a branch in the United Kingdom you should also see [Supervising international banks: the Branch Return](#).

EEA branches (Passporting)

If you are already authorised as a bank elsewhere in the European Economic Area (EEA) then you can 'passport' into the United Kingdom directly, without applying to the UK regulators (although notification is required) – further details on passporting can be found [here](#).

Non-EEA branches

A UK-based branch of a firm which is incorporated in a country which is not within the EEA is referred to as a non-EEA branch.

Responsibilities for the prudential supervision of a non-EEA branch are split between the parent's Home State Supervisors (HSS) and the PRA. But the PRA expects the whole firm to meet the PRA's Threshold Conditions. The PRA has set out its approach to supervising branches and its appetite for allowing international banks to operate as branches in the United Kingdom in this [Supervisory Statement](#). In particular, the PRA expects new non-EEA branches to focus on wholesale banking and to do so at a level that is not critical to the UK economy.

A branch will not be separately capitalised and may be dependent on its group for liquidity, therefore the PRA will assess capital adequacy and liquidity of the whole firm. As part of that assessment the PRA will seek the HSS's view of the whole firm.

The FCA is the conduct regulator for all banks operating in the United Kingdom. For non-EEA branches the FCA's Threshold Conditions and conduct of business rules apply, including areas such as anti-money laundering.

Eligible deposits placed in non-EEA branches may be covered by the UK deposit guarantee scheme and therefore non-EEA branches may be subject to regulations concerning UK depositor protection.

Next steps

If you are an internationally headquartered bank considering setting up a subsidiary and/or branch in the United Kingdom you should review the pages on the new bank authorisation process and then contact us.

Other contacts

The [Association of Foreign Banks](#) represents the foreign banking sector providing financial services throughout the United Kingdom.

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